

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Monday, March 21, 2022

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Souza, Bayer, Ricks, and Semmelroth

ABSENT/ EXCUSED: Senator Nye

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Rice** called to order the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:06 pm.

MOTION TO RECONSIDER H 635: **Senator Ricks** moved to reconsider **H 635**. **Senator Bayer** seconded the motion. The motion to reconsider **H 635** passed by **voice vote**. Senators Semmelroth and Lakey are recorded as voting nay.

MOTION: **Vice Chairman Grow** moved to send **H 635** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion.

DISCUSSION: **Senator Lakey** expressed his opinion that there was a better approach. The motion to send **H 635** to the floor with a **do pass** recommendation passed by **voice vote**. Senators Semmelroth and Lakey are recorded as voting nay. Senator Grow will carry on the floor.

MINUTE APPROVAL: **Senator Semmelroth** moved to approve the minutes of the March 10, 2022 meeting of the Committee. **Senator Souza** seconded the motion. The motion passed by **voice vote**.

Senator Ricks moved to approve the minutes of the March 15, 2022 meeting of the Committee. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote**.

Vice Chairman Grow moved to approve the minutes of the March 16, 2022 meeting of the Committee. **Senator Souza** seconded the motion. The motion passed by **voice vote**.

Senator Bayer moved to approve the minutes of the March 17, 2022 meeting of the Committee. **Senator Vick** seconded the motion. The motion passed by **voice vote**.

GUBERNATORIAL APPOINTMENT: **Senator Lakey** moved to send the gubernatorial reappointment of Lee Heinrich to the Idaho Tax Appeals Board to the floor with recommendation that he be confirmed. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote**. Senator Lakey will carry on the floor.

H 735

Representative Weber presented the bill. He explained that **H 735** was a property tax relief bill. He further explained that **H 735** repealed the county Charity and Indigent Fund Levy. In addition, **H 735** established a new Public Defense Fund beginning in fiscal year (FY) 2025. Furthermore, for FY 2023 and FY 2024 the counties would be reimbursed for the total amount levied. Starting in FY 2025, the Tax Relief Fund money would be distributed under the sales tax distribution formula. In addition, \$36 million with a possible 3% escalator for five years would be transferred from local distribution to the Public Defense Fund. With that amount, combined with the current general fund appropriation to the Public Defense Commission of approximately \$12 million, the state would fund indigent public defense and relieve the counties of that obligation. Finally, **Representative Weber** explained that **H 735** expressed legislative intent that in the next legislative session a new model of public defense would be adopted.

Representative Weber advised the Committee that there had been discussions regarding proposals to amend **H 735** and stated that Seth Grigg would discuss those proposals.

TESTIMONY:

Seth Grigg of the Association of Idaho Counties, explained that there were two big changes in the proposed amendments. One was on the establishment of the Public Defense Fund and how the money would proceed to that fund. The other changes correct errors in the original draft with respect the repeal of the county medically indigent program. The proposed amendments took \$36 million off the top of revenue sharing and diverted it to the Public Defense Fund. **Mr. Grigg** stated that this had an impact on the special purpose districts, but that there was no nexus between special purpose districts and public defense. The proposed amendments took \$20 million off the top of county revenue sharing moving forward to fund public defense. And then on the city revenue sharing side, it removed \$16 million off the top of city revenue sharing in the first year. That would generate \$36 million that would be dedicated to funding public defense. In addition to the state general funds that are appropriated on an annual basis for public defense, which amounts to about \$11 million. The amount of funds that came out of county revenue sharing increased by 5% a year for five years. And once they hit the ceiling, which was approximately \$26 million, they would be fixed at that \$26 million threshold. Moving forward, the city revenue share out remained at \$60 million for the duration.

Next, **Mr. Grigg** discussed the changes in the proposed amendments to **H 735** relating to the repeal of the county medically indigent program. He stated that there were errors in some dates. On page two of the proposed amendments, line 30, there was a series of date changes. **Mr. Grigg** explained that those date changes were to align with current statutes.

Mr. Grigg then discussed the last substantive change in the proposed amendments to **H 735**. That proposal increased the amount of property tax relief from \$20.9 million in the original draft to \$33 million. He explained that amounted to a 5% to 6% reduction statewide in county levy property taxes. In addition, for the next two years, there would be a one time general fund appropriation of \$34 million to the counties to help pay for public defense until we get to 2025. **Mr. Grigg** added that this provided time for stakeholders to work towards an alternative public defense model in the state.

DISCUSSION: **Senator Lakey** asked what happened once the automatic allocation of funds to the counties ended. **Mr. Grigg** explained that at that point, those shares would continue to go to the Public Defense Fund that was established to help pay for public defense, but that amount would be capped at the amounts that they were at that time, and the general fund would provide support for expenses above that.

Senator Ricks asked how the transfer of money from the Tax Relief Fund to the general fund translated to tax relief for county residents and how we knew that would happen. **Mr. Grigg** explained that a proposed amendment to Idaho Code § 63-802 required counties to reduce their base budget in the last three years the amount they spent on public defense.

Senator Lakey asked Mr. Grigg to explain further about the elimination of the Wayfair money which would be supplemented by additional allocations of funds, but not as much. **Mr. Grigg** explained that the Tax Relief Fund would end in FY 2025 at which time there would be an infusion of revenue sharing dollars into the counties and cities from online sales tax dollars which would be distributed in accordance with the sales tax distribution formula rather than going to the Tax Relief Fund. He estimated that the proceeds to the counties and cities would be close to \$36 million. The county's share of that will be roughly \$17 million. Revenue from the sales tax distribution would also result in additional revenue in the approximate amount of \$16 million which was about a wash. In the first year, the full amount of the Wayfair money coming to them went toward public defense funding. And then, in future years online sales taxes generated increasing revenue. Any revenue sharing above that \$16 million went to the cities. And for the counties, any amount of revenue sharing from online sales taxes above \$26 million went to the county budgets.

TESTIMONY: **Mayor John Evans** of Garden City, and Legislative Chairman for the Association of Idaho Cities, stated that they had been briefed on the discussions regarding the amendments and supported **H 735** with the proposed amendments, but were opposed to it without the proposed amendments.

Mark Mitton, Burley City Administrator, explained the impact of **H 735** on the city of Burley and stated opposition to any amount coming out of the city's share of sales tax.

MOTION: **Senator Lakey** moved to send **H 735** to the 14th Order of Business for possible amendment. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote**. Senator Lakey will carry on the floor.

PRESENTATION: **Chairman Rice** honored page Mark Vincent and thanked him for his service to the Committee. **Mr. Vincent** introduced himself and stated that he was a Senior at Eagle High School.

Chairman Rice asked Mr. Vincent what he had enjoyed the most about his experience as a page. **Mr. Vincent** responded that he had enjoyed sitting in the committees he served and interacting with senators and staff.

Senator Souza asked Mr. Vincent what he had learned that he hadn't expected to. **Mr. Vincent** replied that he had learned a lot about local government and taxation.

Senator Lakey asked how Mr. Vincent thought he could apply what he learned in the future. **Mr. Vincent** responded that he wanted to pursue a degree in political science and that his experience as a page would benefit him in that pursuit.

Senator Bayer asked where Mr. Vincent intended to attend college. **Mr. Vincent** stated that he intended to begin at the College of Western Idaho and finish his degree at the University of Idaho.

Vice Chairman Grow complimented Mr. Vincent for the amazing job he had done.

The Committee then presented Mr. Vincent with several gifts along with a letter of appreciation from the Committee and a letter of recommendation from Chairman Rice.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 2:37 pm.

Senator Rice
Chair

Meg Lawless
Secretary